



Boardroom Advisors

SCALE UP YOUR BUSINESS: BUILD YOUR BOARD OF DIRECTORS

Vol. 2 of 8 in the
Complete Guide to Scaling Up Your Business

To Scale Up a Business Properly You Need a Board of Directors

This eBook discusses why you need a board of directors to help lead your company towards success. A board of directors is an excellent resource that can provide guidance and ensure that decisions are made in the company's best interest.

We will talk about who should be included on the board and their roles and responsibilities. These may also include an executive director, a non-executive director, a chief executive director, a chair, and a secretary as well as those with specialist knowledge and experience.

We will also discuss the importance of having a clear set of goals for each board member to ensure that all decisions lead to your business's growth and success.

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What to Consider When Building Your Board of Directors

A successful scale up needs great leadership. Although it may work at a smaller size, you can't run a large business alone. Building your board of directors is an important part of preparing to scale up.

If you read the '[Where to Start Scaling Up](#)' part of this series and thought to yourself "what board of directors?" when prompted to include them in your planning, this eBook will introduce you to the people you'll need at your side.

If your business already has a board, this eBook aims to still be useful. Consider how you may need to expand and what skills you could currently be lacking.



What is a Board of Directors?

The board of directors is the senior leadership team of a business. They oversee its strategic direction and planning alongside the business's CEO.

Each member of the board will hold a specific role. This usually involves acting as the representative and manager for a certain area of the business.

The board advises the business's leader in what would be best for its growth. They each bring their own experience and expertise to enhance the information available to the leader when they make their decisions.

As well as overseeing the business's strategy, they ensure that the business meets all legal requirements. So that means the responsibility for taxes, reporting, and health and safety is theirs too.



The Role of a Director

Directors are the legally recognised heads of a business. They're responsible for its management and its legal compliance. They control the business, but they're accountable for it too.

As a director, you have a set of duties set out by law:

- Ensure companies house receives all due information
- Promote the success of the business
- Exercise due care in the running of the business
- Ensure legal compliance
- Avoid conflicts of interest
- A fiduciary responsibility to shareholders

Many board members will also have direct responsibility for managing the area of the business they represent. They act as a bridge between the day-to-day running of the business and executive planning.

Director Roles

Executive Director

An executive director manages an element of the business and acts as its advocate on the board. Most businesses will have at least a couple of this type of director. They bring specialist knowledge to board meetings.

Non-executive Director

A non-executive director is a less common role on the board. These people do not represent any department and take more of an outsider role acting as neutral voices on the board. Their job is to bring the benefits of their experience and industry insights, to ensure conflicts of interest cannot affect judgment, and to question decisions to ensure they're the best for the business.

Chief Executive

A business will have a leader of some sort, often the founder, but it doesn't need a founder role. They typically hold the role of chief executive officer or CEO. Their job is to lead the business through its strategy and planning.

Neither of these next two is required but can be useful during meetings. They can be filled by normal members of the board or an employee or advisor from outside the board, but a dedicated position can be created and hired for.

The Chair

The chair of a meeting oversees the meeting itself. They ensure that the meeting progresses as it should, that all members contribute properly, and that rules are being followed. Also, they can support the CEO with more independent advice.

Secretary

A secretary takes the minutes of a meeting. All Board meetings must have minutes recorded and made available for reporting. They ensure that the administrative elements of the board of directors are properly met.

Some boards also include advisory roles that aren't actually directors. As they aren't directors, they hold no legal responsibility or the associated powers. They can, however, bring their skills and director-level expertise to meetings to help those who make decisions.

Board Members



Responsibilities

- Legal duties of a Director
- Representing stakeholder's interests
- Strategic management of the business



Roles

- Executive department leaders
- Non-executive support
- Board meeting management



Skills

- A leader for your business
- Expertise in core areas
- Experience in growing

What a Board Needs

The exact makeup of a board will vary from business to business but will have the same core elements. They will be made up of some combination of the roles listed previously.

At a minimum, a private limited company needs 1 director, while a public company needs 2. The number of directors will vary to suit needs. As a general rule of thumb, more than 7 is likely too large.

If you're preparing your business to scale up, 3 directors can be a nice balance. If you're the only director, consider adding a couple more now, or at least while growing the business. You may find a [fractional director](#) a better fit if you don't yet have much budget for full-time directors.

It is common for an investor to want a seat on the board. Most VCs will make it a requirement to receive Series A funding. These appointed directors will often have a lot of other responsibilities, so you shouldn't rely on them to fill out your board's roles. Instead, you should aim to function without them.

Your board should represent your business as a whole. They should create a fair representation of the business, cover a variety of experiences and viewpoints and work efficiently and effectively together. A more varied and diverse board will be better able to challenge each other and promote what's best for the business.



"A well balanced board is more than the sum of its parts."

Include people who have the knowledge and skills that you do not, people who will challenge respectfully, understand and share your vision but bring alternative perspectives to that vision."

- Eian, Non-Executive Director

Good Board

versus

Bad Board



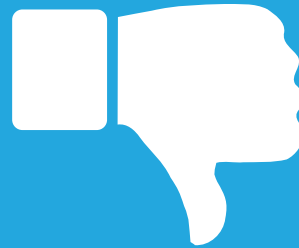
Commitment to regularly attend meetings and contribute

Diversity: incl. gender, background, age and tenure

Respect, trust and candor

Strong, balanced, and fair chair/ lead director

Regularly undertake group and individual performance evaluations and learning and development opportunities



Dysfunction amongst members, (pushy, domineering, unethical behavior's)

Non- disclosure of conflicts of Interest

No fundraising involvement (for charities & not-for-profits)

No awareness or understand of good governance principles and practices

Board members not self-managing or disciplining bad behavior and performance

Is Your Board Ready?

Several positions should be filled to some degree on your board. These aren't formal roles but areas of expertise that should be found among the members. They don't all need to be different people; the same person can fill multiple positions.



Commercial lead

A board needs commercial expertise, such as a Sales Director. These people are experts in the customer-facing side of the business. They make sure the business has the capacity to sell its products or services and make profitable deals.

Who is the Leader?

Your board needs a leader. Often this is one of the founders of the business, but only sometimes. Some founders recognise that their skills don't lie in running a large or fast-growing business, so hire someone to become the business's CEO.

Financial Expert

Someone on your board needs financial expertise. The board is responsible for the success of the business, so someone needs to be able to ensure that you are operating in a fiscally responsible manner.

Technical lead

Having someone on the board that understands IT systems is incredibly valuable. It often falls behind in business, especially with fast growth, but poor tech management can hold you back. This is more than just being decent on a computer; but needs an understanding of how networks fit together and the ability to keep up with advancements.

Operational Lead

Growing a business, by necessity, means the business's complexity will also grow. Having someone with expertise in business operations can be valuable. They will help ensure the business is efficient and well-structured for its needs.



Expertise in Growing a Business

When scaling a business, it's incredibly useful to have someone who's done it before on the board. There's a lot to do and many places you can trip up when scaling, experience can help you avoid them.

Marketing Lead

You can also invite people to join your board meetings to provide specific input. For instance if you don't have a Marketing Director on your board you could invite your Marketing Manager to provide a report or presentation to help inform decisions being made by Board Directors.



Diversity

Having a board that all think along the same lines and have similar experiences and backgrounds may seem like a great way to reach a consensus quickly, but does this make for a successful board? Almost certainly, it won't be your best option for long-term success.

Diversity may include experience, gender, ethnicity, skills, and other areas that might be important to represent your customers. Having a more diverse Board means you have more opportunities to challenge decisions from various important angles so you can be more confident in the decisions made.

Corporate Governance

An important part of establishing a board of directors is establishing corporate governance. That means creating the regulations that will bind your board members and ensure the business's best interests are upheld.

Your board's actions will be bound by the company's constitution where one exists, although this isn't necessary to create. That sets out all of the powers available to the members, as well as the responsibilities they hold. It will also dictate the penalties for breaches of these rules.

Corporate governance ensures that the stakeholders' interests are met, that the role of the director cannot be abused, and that proceedings are transparent.

Your board of directors should be held accountable for their actions. They're responsible for the future of the business, so how do you ensure they are acting in its best interests?

An example is how much access to business funds a board member has access to. What checks do they have to go through? How do you make sure no one is misusing the business's resources?



Company Culture

The culture of a business is important to its identity. One way to ensure that the core ideals of the business are maintained is to ensure that future board members fit with the company's culture.

In the corporate governance documents, you can state what standards are expected from board members in hiring and operations. This makes it easier for you to find candidates that match your vision while helping them know if they'll fit in.

Board Management

Governance

Creating your Board's rules
Holding Directors accountable
Ensuring smooth cooperation

Hiring

What do you need?
Working well in your team
Important core beliefs

Culture

What is most important?
What example should be set?
What to consider in new hires



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What or Who Do You Need to Add?

After thinking about the current leadership of your business, what do you think should change? It's important to have a strong board in place when scaling up a business, or it can easily flounder.

Consider if you currently have all of the skills needed on your board. If not, you may need to add more members. A full-time executive director can be a significant financial investment.

You may be surprised by how many roles work perfectly well on a part-time basis. Even a CEO can be part-time. Boardroom Advisors specialises in providing this kind of part-time support and will be able to bridge any gaps by providing the board members your business needs to grow.





Boardroom Advisors

Do You Need Help With Challenges Facing Your Scale Up Business?

Boardroom Advisors can help you with challenges your business is facing.
Examples of challenges you may be experiencing include:

Strategic Challenges

Financial Challenges

Management Challenges

Operational Challenges



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To explore the particular challenges your business is facing

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1

START



2

BUILD



3

SCALE



4

EXPAND



5

GROW



6

MARKET



7

SELL



8

EXIT

